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Weekly Contributions on Latin America 49-50
O/RR, CIA
5 December 1950

(Pending completion of reorganization in Office of Research and Reports, CIA, Weekly Contributions on Latin America will be published on an interim basis by the group of analysts previously responsible for D/LA Weekly Contributions.)

CURRENT DEVELOPMENTS

GENERAL: There is reason to believe that USSR and the Satellites are shifting the emphasis of their tactics in some Latin American countries (p. 2).

SOUTHERN AREA: In Peru, the foreign office resents US "intervention" in the Haya case (p. 2).

SPECIAL SUBJECTS

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Weekly Contributions, D/LA, 49-50
(CIA Working Paper)

5 December 1950

1. GENERAL: Possible Change in Emphasis of Soviet Tactics in LA

As a result of the narrowing field for Communist political action, the lack of effectiveness of most Communist parties, the defensive Communist position in labor, and the increasing repression of the usual type of Communist activity, the Soviet Union probably is finding local Communists in Latin America less effective as an instrument of Soviet foreign policy. The USSR and the Satellites apparently are shifting the emphasis of their tactics in some Latin American countries by developing economic and commercial contacts, by purchasing commercial establishments as cover for agents and intelligence operations, and by increasing Soviet and satellite embassy activities. In Cuba, certain small businesses have reportedly been financed by the USSR and operated by persons suspected of being Soviet agents. Polish and Czechoslovakian trade delegations are to negotiate commercial treaties with Argentina and Uruguay. Commercial delegations from both the USSR and Czechoslovakia are possible additions to the diplomatic establishments in Argentina, and a new Soviet ambassador to that country has been appointed. (The last Soviet ambassador left Argentina in December 1947.) In Venezuela, some increase in activity of the Soviet embassy has been indicated. The Czechoslovakian embassy reportedly has been the source of some funds for the Mexican Communists.

It is likely that Soviet tactics will further emphasize commercial and diplomatic action in Latin America.

2. PERU: Foreign Office Resents US "Intervention" in Haya Case

The Peruvian foreign minister has characterized as "unjust and unfriendly toward Peru" the US memorandum expressing concern over Peru's attitude and offering US good offices in the Haya de la Torre dispute. The minister states that Peru is being blamed when the fault lies with Colombia, and it is expected he will prepare a strongly worded point-by-point counter-memorandum.

While Peru has not flatly rejected the US offer of good offices, the Peruvian decision not to grant safe conduct out of Peru to Haya de la Torre and Colombia's announced decision not to give him up (although it would welcome any reasonable face-saving solution) make it appear that the US offer of good offices is destined to failure.

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Article 12-50

5 December 1950

Probable Developments from the ICJ Decision in the Haya Case

The recent decision of the International Court of Justice (ICJ) in the Haya de la Torre case involving a dispute between Colombia and Peru over political asylum, even though the court technically discharged its obligations by furnishing answers to the questions originally put to it by the countries concerned, has provoked considerable adverse criticism among Latin American lawyers and government officials. It is true that the commenting officials, with few exceptions, do not speak officially for their respective governments, which are understandably reluctant to commit themselves publicly on this controversial matter until the full text of the court's decision becomes available. This cause célèbre, however, entirely apart from its effect on the bilateral relations of the two disputant nations, will probably have certain effects on the prestige of the ICJ in Latin America, on the ratification of the Bogotá Pact, and on plans for an inter-American judicial organ. It will have little effect on the practice of granting political asylum in Latin America.

It cannot be said the influence of the ICJ has been large in Latin America. A majority of the American republics, however, have accepted Article 36 -- the compulsory jurisdiction clause of the statute of the ICJ -- with or without reservations. Should the above-mentioned individual adverse reactions continue after there has been an opportunity to become acquainted with the official text of the decision, and should many of the governments also react in a critical fashion after their study of the decision has been completed, the ICJ's prestige in Latin America, such as it is, will have been definitely weakened and search for an acceptable substitute will have been given new impetus. The weakening of the ICJ's prestige in Latin America will adversely affect such interest as the US has in the court's position as an integral part of the UN.

The Colombian government has declared that it now will not ratify the Pact of Bogotá, since certain sections therein provide for resort to the ICJ, and that it will urge other American republics likewise to refrain from ratification. It is true that such action with respect to the Bogotá Pact will, for most of the countries, emphasize their disapproval of the court rather than affect their obligation toward it, because of the independent action they have already taken with respect to Article 36 of the ICJ statute. Furthermore, in view of the fact that the US delegation originally signed the Bogotá Pact with reservations and that this instrument has not been as yet presented to the US Senate for approval, this indirect, but adverse, effect of the ICJ decision on the Pact of Bogotá may not be judged detrimental to US interests in the Hemisphere.

Despite the fact that the jurists on the ICJ did not divide along geographical lines in their decision, some Latin American countries have again raised the old question as to whether the ICJ is the best place in

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which to have a purely inter-American dispute adjudicated. Such queries suggest the possibility that, should there be general dissatisfaction with the ICJ among the governments of Latin America, the idea of adding a judicial appendage to the Organization of American States may be revived. Such an arrangement for regional judicial settlement of disputes might at least reduce the necessity of appeal to the ICJ. A solution of this nature might be deemed undesirable from the point of view of the US, unless the objections traditionally raised by the US to an inter-American court could be met satisfactorily.

It is not probable that the court's decision will have any marked effect on the practice of political asylum in the other American republics, regardless of what may be the end result of the present dispute between Colombia and Peru. This institution is too highly prized in Latin America, in spite of its rather dubious standing in international law, and has proved its utility on too many occasions for it to be abandoned readily.

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Situation Memorandum 73-50

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The Current Situation in Bolivia

(Summary -- The stability of the weak Urriolagoitia government has not improved. The economic situation remains unfavorable despite continued gains. The military situation is basically unchanged. The strength of the subversive groups has not increased. Bolivia's foreign relations continued **generally friendly**.

-- US security interests have been favored by ratification of the Rio pact and OAS charter.)

Politics

The stability of the weak Urriolagoitia government has not improved despite suppression of the MNR-PIR student disorders in August and September and improved relations with the influential mining industry (see Economic). Government insecurity is indicated by the declaration of a state of siege on 16 November following the discovery of a poorly organized MNR plot. Further, the administration reportedly sponsored the disbanding of the Congress, because the continued absence of government party members -- presumably at party bidding -- prevented the attainment of a quorum. The administration was able, thus, to avoid the interpellation of the cabinet concerning economic and fiscal policies and government unwillingness to permit the return of exiles, who were theoretically covered by the provisions of the 11 September amnesty law. Government party congressmen were enabled by this maneuver to avoid carrying to a decision the politically explosive trial of Villarruel regime officials. Chief factors contributing to the government's insecurity are: (1) popular discontent because of continuing inflation, (2) increasing political activity of the army, and (3) intensification of inter-party and intra-PUSR rivalries arising from preparations for the May 1951 elections (though PUSR differences have nominally been settled by a recent agreement between the party's four components to stick together regardless of the final choice of candidate). Nevertheless, such conditions and MNR conspiratorial activities will not necessarily lead to the overthrow of the government during coming months, since it is believed to command the support of the majority of the army. It is believed that the administration will give wide publicity to imaginary plots to justify maintenance of the state of siege during the campaign period.

Economic

Bolivia's economic situation remains unfavorable although there are certain favorable trends and developments. The recent major economic issue concerned state control of foreign exchange earnings from exports of minerals, especially of tin. The government's amendment of the 11 August 1950 decree, which practically confiscated foreign exchange earnings, and its granting

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of more liberal exchange concessions were accompanied by an agreement by the tin mining industry to raise the annual rate of tin production to 32,000 metric tons within two months and to 35,000 metric tons within six months.

Tin prices per pound rose from 77 1/2 cents in June prior to the Korean war to \$1.63 on 8 November. Greater production of tin together with the higher prices reflecting strong demand should permit much enlarged Bolivian foreign exchange earnings from tin exports.

As a result of petroleum shortages and the continuing financial difficulties of YPFB (government petroleum monopoly), there is a growing realization on the part of the government of the desirability for the investment of foreign capital in the petroleum industry to increase production. Developments indicative of such sentiment are the passage of a bill which lifts the national petroleum reserve in areas not currently exploited by YPFB to permit their development by mixed companies and the government's decision to call in US experts to survey Bolivia's petroleum industry.

Nevertheless, these favorable developments are offset by the continuing threat of additional deficit financing with a consequent increase in the monetary supply and inflationary pressures. Tin production during 1950 is expected to fall below the figure of 35,000 tons on which the revised foreign exchange budget has been based, and further, the finance minister has stated that the deficit in the 1950 national budget might exceed US-\$57,000,000.

Military

The military situation is basically unchanged though there has been a slight increase in the efficiency of the air force as a result of the reconditioning of some equipment and the improvement of some bases. The army generally remains loyal and is capable of maintaining internal security.

Subversive

The strength of the subversive groups has not increased. Although part of the army and influential political figures, such as ex-Minister of Government Mollinedo, are reportedly involved in plots, this party is not believed strong enough to overthrow the government at this time. Contrary to previous reports that the PIR had been declared illegal under the decree outlawing Communism and Communist parties in Bolivia, a government spokesman has stated that the PIR retains its legal status. The potential of the PIR for creating disturbances has increased slightly as a result of formation of a terror squad. Nevertheless, because of police intimidation of some of the PIR's congressional representatives and the exile of

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the FIR chief, this party remains too weak -- independently -- to make a major move. Reportedly strained relations with the INR since the failure of the student strike make unlikely an alliance with that group, though individual Piristas may participate in INR revolutionary activities. There have been no reports to indicate any change in the weak status of the Communist Party during the last few months. Thus, since the subversive groups are believed to be disunited and to be opposed by the majority of the army, it appears unlikely that these groups will effect the overthrow of the government at present, although they will aggravate disturbances to the greatest possible extent.

International

US security interests have been favored by ratification of the Rio Treaty and OAS Charter (the latter, however, has been ratified with two minor reservations); and there is every indication that Bolivia will continue to support the US in all major international issues. Bolivia's friendly foreign relations remain generally unchanged. Premature publicity given to negotiations with Chile concerning a Bolivian corridor-to-the-sea, however, slightly strained relations with that country and Peru.

The cordiality of US-Bolivian relations has been enhanced by the passage of a bill renewing service on the defaulted dollar debt. A draft trade-and-payments agreement with Yugoslavia and a trade-and-barter agreement with Italy are under consideration.

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(CIA Working Paper)
Situation Memorandum 74-50

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The Current Situation in Costa Rica

(Summary -- The Ulate government, though reasonably stable, is in a weaker position. The current economic situation is slightly more favorable. There has been no improvement in the effectiveness of the Guardia Civil. Communist strength and potential influence in Costa Rica, already small, have decreased in the past six months. Relations with the US, the United Nations, and Nicaragua remain unchanged, and President Ulate still finds it difficult to keep Costa Rica aloof from Middle American revolutionary activities.

-- US security interests have been favorably affected by the decreasing strength of the Communists but are endangered by the weakened position of President Ulate and the possibility of increased revolutionary activity in the Caribbean area involving Costa Rica.)

Political

The Ulate government, though reasonably stable, is in a weaker position than six months ago. Plotting by the Calderonistas for the overthrow of President Ulate appears to be increasing (D/LA Wkly, 15 Aug, 21 Nov 50). The Civil Guard (Costa Rica's only armed force) is too weak to combat a well-prepared plot. Moreover, part of the Civil Guard, the bank employees (who as a group have considerable power), and some government employees are reportedly more loyal to former Junta-President Figueres than to President Ulate. There has been an increasing question as to the extent to which they would support Ulate in event of a crisis between Figueres and Ulate. However, under current conditions, Figueres seems to leave no intention of encouraging such a crisis.

It is estimated that there is no immediate threat to the continuance of the Ulate administration.

Economic

The current economic situation is slightly more favorable now than six months ago. Stringent exchange controls have helped to improve the country's poor international credit position, portions of the internal public debt are gradually being paid off, and governmental expenses are being met from current revenues. In addition, world market conditions continue to favor Costa Rica's chief exports, coffee, bananas, cacao, and abaca. Although Costa Rica will benefit in the long run from any Point IV aid and any new foreign investments, none of the potential developments will have any substantial effect on the general economic situation in the next six

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months. In the meantime, public dissatisfaction with the present stringent financial controls may possibly increase in intensity, retarding further progress toward the solution of domestic financial problems. For these reasons it is estimated that there will be no substantial improvement in the economic situation in Costa Rica in the next few months.

Military

There has been no improvement in the effectiveness of the Guardia Civil, and in addition the degree of its loyalty to the president has become questionable. This sole military body of Costa Rica, 1000 men, is still not adequate in size, training, and equipment to control or prevent arms smuggling and revolutionary plotting, nor is the Guardia capable of suppressing any large-scale civil disturbances or invasion attempts from abroad. Moreover, some officials of the Guardia are said to be loyal to former Junta-President Figueres rather than to President Ulate. It is believed that the Guardia cannot be counted upon to support the president undividedly in event of a crisis.

It is estimated that there will be no improvement in the capabilities of the Guardia and probably no increase in its loyalty to the president in coming months.

Subversive

Communist strength and potential influence in Costa Rica, already small, have decreased in the past six months. It is true that the Communists are still able to publish the weekly news organ, Trabajo, that they retain some influence in organized labor, and that they might be able to give limited aid to plotters in event of revolutionary activity against the Ulate administration. Nevertheless, anti-Communist sentiment has increased considerably during the Korean war, and Communist Party (Vanguardia Popular) activities were declared illegal by the national assembly on 26 July 1950. Party activities were virtually paralyzed for a while after the assembly's action, and police enforcement of the new anti-Communist law still hampers Communist activities. Rank-and-file members have been deserting the party, and party activities have been almost at a standstill outside the cities of San Jose and Puntarenas. Moreover, Arnaldo Ferreto's work toward becoming party dictator has forestalled the rise of future party leaders from the lower echelons and has also widened the rift between his followers and those of Manuel Mora, thus preventing the formulation of a clear party policy for use during the present era of governmental suppression.

It is estimated that the Communists will continue to propagandize along lines established by Moscow, that they will work to increase the strength and influence of the Communist women's and youth groups and of

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Communist-dominated labor syndicates, and possibly may infiltrate non-Communist organizations in order to use them as fronts. It is expected, however, that Communist influence will not increase substantially above the present low level in coming months.

International

Relations with the US, the United Nations, and Nicaragua remain unchanged, and President Ulate still finds it difficult to keep Costa Rica aloof from Middle American revolutionary activities. Costa Rica has continued its friendly attitude toward the US. It has offered the United Nations sites for bases and troop garrisons. Relations with Nicaragua remain strained: unconfirmed reports state that President Somoza has been helping to arm exiled Costa Ricans in preparation for an attempt against their native land (D/LA Wkly, 21 Nov 50). There have also been reports of arms smuggling and revolutionary plotting in Costa Rican territory. Former Junta-President José Figueres is reportedly connected with such activities.

It is estimated that there will be no substantial improvement in Costa Rica's capacity to remain aloof from Caribbean area plotting and counter-plotting in coming months. Relations with the US and support of the UN will remain unchanged.

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